

**ORANGE CITY AREA HEALTH SYSTEM,
AN ADMINISTRATIVE AGENCY OF THE
CITY OF ORANGE, IOWA
DBA: ORANGE CITY AREA HEALTH SYSTEM
AND ORANGE CITY AREA HEALTH FOUNDATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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YEARS ENDED JUNE 30, 2021 AND 2020**

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**ORANGE CITY HEALTH SYSTEM
BOARD OF TRUSTEES AND HOSPITAL ADMINISTRATION
JUNE 30, 2021 AND 2020**

Board of Trustees

Expiration of Term

Tim Zeutenhorst, Chairman

December, 2023

Brenda Richardson, Vice Chairperson/Treasurer

December, 2021

Jerry Henrich, Secretary

December, 2023

Wade Hofland

December, 2023

Chris Immecker

December, 2021

Kathy Alons

December, 2023

Russ Adams

December, 2021

Chief Executive Officer

Martin W. Guthmiller

Director, Financial Services

Dina A. Baas



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Orange City Area Health System
an Administrative Agency of the City of Orange, Iowa
dba: Orange City Area Health System
and Orange City Area Health Foundation
Orange City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Orange City Area Health System (Health System), a component unit of the City of Orange City, Iowa, and its discretely presented component unit Orange City Area Health Foundation (Foundation) which comprise the statements of net position and statements of financial position, respectively, as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Health System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange City Area Health System and its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in their financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10, Budgetary Comparison Schedule, Schedule of the Health System's Proportionate Share of the Net Pension Liability, Schedule of the Health System's Pension Contributions and related pension liability notes, and Schedule of Changes in the Health System's Total OPEB Liability, Related Ratios and Notes on pages 50 through 54, be presented to supplement its basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

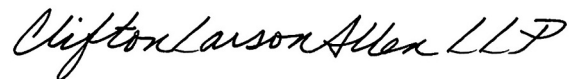
Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 55 through 68 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The table of the board of trustees and hospital officials, schedules of patient and resident receivables, schedule of insurance, and the schedules of comparative statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, on our consideration of the Orange City Area Health System's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange City Area Health System's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 16, 2021

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

As management of Orange City Area Health System (Health System), we offer readers of the financial statements this narrative overview and analysis of the Health System's financial performance during the years ended June 30, 2021 (FY21), 2020 (FY20), 2019 (FY21). Please read it in conjunction with the Health System's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$1,352,887 to \$70,914,751 in FY21 compared to FY20.
- Noncurrent cash and investments increased by \$575,206 in FY21 compared to FY20.
- Total net position increased by \$6,330,645 in FY21.
- Total long-term debt decreased by \$1,571,998 in FY21.
- Net patient service revenue increased by \$4,562,880 in FY21, due to an increase in volumes.
- Operating expenses increased by \$3,699,016 in FY21, which is due to an increase in salaries and benefits due to high volumes and more hours worked during the year ended June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors' report, and the basic financial statements of the Orange City Area Health System. The basic financial statements of the Orange City Area Health Foundation, a component unit, are separately presented. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of Orange City Area Health System report information of the Health System using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statements of net position include all of the Health System's assets, liabilities, deferred outflows and inflows, and provides information about the nature and amounts of investments in resources (assets) and the obligations to Health System's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Health System and assessing the liquidity and financial flexibility of the Health System.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement measures the success of the Health System operations over the past year and can be used to determine whether the Health System has successfully recovered all its costs through its patient and resident service revenues and other revenue sources, profitability, and credit worthiness.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

ORANGE CITY AREA HEALTH SYSTEM'S NET POSITION

The statements of net position and the statement of revenues, expenses, and changes in net position report the net position of Orange City Area Health System and the changes in them. Orange City Area Health System's net position – the difference between assets and deferred outflows and liabilities and deferred inflows– is a way to measure financial health or financial position. Over time, sustained increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation should also be considered.

A summary of Orange City Area Health System's statements of net position is presented in Table 1.

Table 1: Statements of Net Position

	2021	2020	2019
ASSETS			
Current Assets	\$ 28,637,021	\$ 28,678,622	\$ 22,224,522
Noncurrent Cash and Investments	8,777,067	8,201,861	9,987,858
Capital Assets, Net	31,289,271	30,539,301	30,404,197
Other Assets	2,211,392	2,142,080	2,433,863
Total Assets	<u>70,914,751</u>	<u>69,561,864</u>	<u>65,050,440</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,665,681</u>	<u>5,446,026</u>	<u>5,167,120</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 76,580,432</u></u>	<u><u>\$ 75,007,890</u></u>	<u><u>\$ 70,217,560</u></u>
LIABILITIES			
Current Liabilities	\$ 8,600,742	\$ 12,545,223	\$ 7,685,088
Long-Term Debt (Less Current Maturities)	13,529,758	15,172,673	16,745,217
Other Liabilities	370,921	1,031,874	934,346
Net Pension Liability	20,055,057	16,596,826	16,670,713
Total Liabilities	<u>42,556,478</u>	<u>45,346,596</u>	<u>42,035,364</u>
DEFERRED INFLOWS OF RESOURCES	589,191	2,557,176	928,026
NET POSITION			
Net Investment in Capital Assets	16,116,654	13,794,686	12,132,580
Restricted	3,233	15,798	3,154
Unrestricted	17,314,876	13,293,634	15,118,436
Total Net Position	<u>33,434,763</u>	<u>27,104,118</u>	<u>27,254,170</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 76,580,432</u></u>	<u><u>\$ 75,007,890</u></u>	<u><u>\$ 70,217,560</u></u>

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

OPERATING RESULTS AND CHANGES IN ORANGE CITY AREA HEALTH SYSTEM'S NET POSITION

The following table presents a summary of revenue and expenses for the fiscal years ended June 30, 2021, 2020, and 2019. In 2021, net position increased by \$6,330,645 from the prior year.

Table 2: Statements of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES			
Net Patient Service Revenue	\$ 54,315,280	\$ 49,752,400	\$ 47,752,620
Other Revenue	5,565,656	5,237,193	4,437,306
Total Operating Revenues	<u>59,880,936</u>	<u>54,989,593</u>	<u>52,189,926</u>
OPERATING EXPENSES			
Nursing Services	14,485,550	12,850,953	12,374,300
Other Professional Services	26,118,929	24,335,764	22,467,344
General Services	2,150,468	2,144,318	2,070,737
Administrative and Fiscal Services			
Unassigned Expenses	12,920,737	12,786,921	10,913,424
Depreciation	3,732,404	3,591,116	3,549,517
Total Operating Expenses	<u>59,408,088</u>	<u>55,709,072</u>	<u>51,375,322</u>
OPERATING INCOME (LOSS)	472,848	(719,479)	814,604
Nonoperating Revenues (Expenses), Net	<u>5,713,199</u>	<u>569,427</u>	<u>(846)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	6,186,047	(150,052)	813,758
Capital Grants and Contributions	<u>144,598</u>	<u>-</u>	<u>26,586</u>
Increase (Decrease) in Net Position	6,330,645	(150,052)	840,344
Net Position - Beginning of Year	<u>27,104,118</u>	<u>27,254,170</u>	<u>26,413,826</u>
NET POSITION - END OF YEAR	<u><u>\$ 33,434,763</u></u>	<u><u>\$ 27,104,118</u></u>	<u><u>\$ 27,254,170</u></u>

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

OPERATING AND FINANCIAL PERFORMANCE

The following summarizes Orange City Area Health System's statement of revenue, expenses, and changes in net position between June 30, 2021, 2020, and 2019.

Net Patient Service Revenue: Net patient service revenue is a product of volume, price increases, and payor mix

Volume: Health System discharges for FY21 were 961 compared to 855 in FY20. Average length of stay for acute increased from 2.99 in FY20 to 3.09 in FY21. Patient days increased from 3,560 in FY20 to 3,801 in FY21. In FY21, gross inpatient charges increased from \$7,308,501 in FY20 to \$8,556,861 in FY21. Gross outpatient charges increased from \$53,349,844 in FY20 to \$59,874,586 in FY21.

Price Increase: As is customary, the Hospital did review its charge structure and incorporated certain price increases in FY21.

Payor Mix: The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare are paid based on a cost reimbursement methodology. Contractual adjustments and uncollectible accounts were \$22,594,124 in FY21 compared to \$19,134,096 in FY20. This represents approximately 29% and 28% of gross patient charges for the years ended June 30, 2021 and 2020, respectively.

The following table displays the percentages of gross charges for patient services by payor for the years ended June 30, 2021, 2020, and 2019.

	2021	2020	2019
Medicare	36%	33%	33%
Wellmark	32%	33%	34%
Medicaid	11%	11%	11%
Commercial Insurance and Other	12%	13%	13%
Self Pay	9%	10%	9%
Total	100%	100%	100%

OTHER REVENUE

Occupancy at Landsmeer Ridge, an assisted and independent living complex, increased from 25,363 resident days in FY20 to 25,496 resident days in FY21. In addition, the Health System leases office space located in the downtown campus to various organizations.

EXPENSES

Sixty percent of Orange City Area Health System's expenses are attributed to salaries and benefits. Total salaries and benefits increased from \$33.1 million to \$34.3 million.

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, Orange City Area Health System had approximately \$31.3 million invested in capital assets, net of accumulated depreciation, as shown in Table 1. The financial statements provide more detail of changes in property and equipment.

The following table summarizes Orange City Area Health System's capital assets as of June 30, 2021, 2020, and 2019.

	2021	2020	2019
Land	\$ 1,665,048	\$ 1,665,048	\$ 1,665,048
Land Improvements	3,883,457	3,883,457	3,735,626
Buildings	20,116,972	20,116,972	19,498,774
Fixed Equipment	40,525,828	40,079,519	37,879,259
Major Moveable Equipment	16,865,826	15,384,070	14,457,755
Construction in Progress	2,591,897	37,588	489,549
Total	85,649,028	81,166,654	77,726,011
Less: Accumulated Depreciation	(54,359,757)	(50,627,353)	(47,321,814)
Net Capital Assets	<u>\$ 31,289,271</u>	<u>\$ 30,539,301</u>	<u>\$ 30,404,197</u>

LONG-TERM DEBT

At June 30, 2021, Orange City Area Health System had \$15,172,617 in long-term debt, including current maturities, related primarily to hospital revenue capital loan notes. More detailed information is presented in the notes of the financial statements.

PERFORMANCE COMPARED TO BUDGET

The following table compare fiscal year actual to budget information.

	Budget	Actual	Dollar Variance
Gross Patient Service Revenue	\$ 73,844,004	\$ 77,117,557	\$ 3,273,553
Contractual Adjustments	(19,846,596)	(22,242,952)	(2,396,356)
Provision for Uncollectible Accounts	(478,800)	(351,172)	127,628
Charity Care	(351,000)	(208,153)	142,847
Net Patient Service Revenue	53,167,608	54,315,280	1,147,672
Other Operating Revenue	3,125,392	5,565,656	2,440,264
Total Operating Revenue	56,293,000	59,880,936	3,587,936
Operating Expenses	57,119,168	59,408,088	2,288,920
Operating Income (Loss)	(826,168)	472,848	1,299,016
Interest Expense	(458,040)	(457,198)	842
Income from Investments	276,000	420,689	144,689
Other Nonoperating, Including Capital and Noncapital Grants and Contributions	2,256,000	5,894,306	3,638,306
Increase in Net Position	<u>\$ 1,247,792</u>	<u>\$ 6,330,645</u>	<u>\$ 5,082,853</u>

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

Orange City Area Health System's Board and management considered many factors when setting the fiscal year 2022 budget. Economic forces and environmental factors, such as the following were considered:

- Medicare and Medicaid reimbursement rates
- Commercial insurance and health network reimbursement rates
- The aging of the population in our market area
- Major employers
- Legislation
- Workforce shortages
- Physician recruitment
- Cost of supplies
- Rising pharmaceutical costs
- Technology advancements
- Contribution receivable collections
- Rising costs of employee benefits
- Ongoing impact of COVID-19 pandemic

CONTACTING ORANGE CITY AREA HEALTH SYSTEM'S FINANCE DEPARTMENT

Orange City Area Health System's financial statements are designed to present users with a general overview of the finances and to demonstrate Orange City Area Health System's accountability. If you have any questions about the report or need additional information, please contact the finance department at Orange City Area Health System, 1000 Lincoln Circle SE, Orange City, IA 51041.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 22,647,169	\$ 22,304,151
Patient Receivables, Net of Allowance for Uncollectible Accounts and Contractual Adjustments (\$2,855,000 in 2021, \$3,505,000 in 2020)	5,244,295	5,042,499
Estimated Third-Party Payor Settlements	-	700,000
Inventory	616,361	579,696
Prepaid Expenses	129,196	52,276
Total Current Assets	<u>28,637,021</u>	<u>28,678,622</u>
NONCURRENT CASH AND INVESTMENTS		
Designated by Board for Plant Replacement and Expansion:		
Cash and Cash Equivalents	1,000,000	164,866
Certificates of Deposits	6,408,884	5,503,404
U.S. Government Agency Securities	-	4,159
Accrued Interest Receivable	23,130	22,060
	<u>7,432,014</u>	<u>5,694,489</u>
Designated by Board for Deferred Compensation:		
Mutual Funds	-	645,714
Designated by Board for Self-Insured Health Insurance Claims:		
Cash and Cash Equivalents	1,341,820	1,209,085
Certificates of Deposit	-	636,775
	<u>1,341,820</u>	<u>1,845,860</u>
Restricted by Donors for Specific Purpose:		
Cash	3,233	15,798
Total Noncurrent Cash and Investments	<u>8,777,067</u>	<u>8,201,861</u>
CAPITAL ASSETS, NET	85,649,029	81,166,654
Less: Accumulated Depreciation	54,359,758	50,627,353
Total Capital Assets, Net	<u>31,289,271</u>	<u>30,539,301</u>
OTHER ASSETS	<u>2,211,392</u>	<u>2,142,080</u>
Total Assets	70,914,751	69,561,864
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	5,570,874	5,372,502
Other Postemployment Benefits Related Deferred Outflows	94,807	73,524
Total Deferred Outflows of Resources	<u>5,665,681</u>	<u>5,446,026</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 76,580,432</u>	<u>\$ 75,007,890</u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,642,859	\$ 1,571,942
Accounts Payable	1,566,147	1,562,433
Accrued Payroll and Benefits	3,773,124	3,691,439
Payroll Taxes	358,063	365,363
Accrued Interest Payable	146,691	162,870
Estimated Third-Party Payor Settlements	755,000	-
Unearned Grant Revenue	266,358	5,086,676
Other	92,500	104,500
Total Current Liabilities	<u>8,600,742</u>	<u>12,545,223</u>
NONCURRENT LIABILITIES		
Long-Term Debt, Less Current Maturities	13,529,758	15,172,673
Net Pension Liability	<u>20,055,057</u>	<u>16,596,826</u>
Total Noncurrent Liabilities	<u>33,584,815</u>	<u>31,769,499</u>
OTHER LIABILITIES		
Deferred Compensation Liability	-	645,714
Other Postemployment Benefits	<u>370,921</u>	<u>386,160</u>
Total Other Liabilities	<u>370,921</u>	<u>1,031,874</u>
Total Liabilities	42,556,478	45,346,596
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	478,471	2,496,496
Other Postemployment Benefits Related Deferred Inflows	86,085	31,390
Home Health Deferred Inflows	<u>24,635</u>	<u>29,290</u>
Total Deferred Inflows of Resources	<u>589,191</u>	<u>2,557,176</u>
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	16,116,654	13,794,686
Restricted	3,233	15,798
Unrestricted	<u>17,314,876</u>	<u>13,293,634</u>
Total Net Position	<u>33,434,763</u>	<u>27,104,118</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 76,580,432</u></u>	<u><u>\$ 75,007,890</u></u>

See accompanying Notes to Financial Statements.

ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Patient Service Revenue, Net of Contractual Allowances and Discounts and Provision for Uncollectible Accounts	\$ 54,315,280	\$ 49,752,400
Other Operating Revenue	<u>5,565,656</u>	<u>5,237,193</u>
Total Operating Revenues	59,880,936	54,989,593
OPERATING EXPENSES		
Nursing Services	14,485,550	12,850,953
Other Professional Services	26,118,929	24,335,764
General Services	2,150,468	2,144,318
Administrative and Fiscal Services and Unassigned Expenses	12,920,737	12,786,921
Depreciation	<u>3,732,404</u>	<u>3,591,116</u>
Total Operating Expenses	59,408,088	55,709,072
OPERATING INCOME (LOSS)	472,848	(719,479)
NONOPERATING REVENUE (EXPENSE)		
Noncapital Grants and Contributions	5,730,713	527,332
Investment Income	420,689	477,840
Interest Expense	(457,198)	(503,546)
Gain on Sale of Assets	9,800	27,089
Other Nonoperating Revenue	21,760	28,068
Nonoperating Income from Auxiliary Activity, Net	<u>(12,565)</u>	<u>12,644</u>
Nonoperating Revenue (Expense), Net	5,713,199	569,427
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	6,186,047	(150,052)
CAPITAL GRANTS AND CONTRIBUTIONS	<u>144,598</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	6,330,645	(150,052)
Net Position - Beginning of Year	<u>27,104,118</u>	<u>27,254,170</u>
NET POSITION - END OF YEAR	<u><u>\$ 33,434,763</u></u>	<u><u>\$ 27,104,118</u></u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patients, Residents, and Third-Party Payors	\$ 55,568,484	\$ 49,702,764
Cash Paid to Employees	(33,276,789)	(31,669,267)
Cash Paid to Suppliers and Contractors	(21,475,857)	(18,783,489)
Other Receipts and Payments, Net	5,565,656	5,237,193
Net Cash Provided by Operating Activities	6,381,494	4,487,201
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital Grants and Contributions	910,395	5,614,008
Nonoperating Gain from Auxiliary Activities, Net	(12,565)	12,644
Net Cash Provided by Noncapital Financing Activities	897,830	5,626,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(1,571,998)	(1,527,002)
Purchase of Capital Assets	(4,257,058)	(3,779,470)
Proceeds from Sale of Capital Assets	-	80,339
Interest Payments on Long-Term Debt	(473,377)	(518,746)
Other Nonoperating Revenue	21,760	28,068
Net Cash Used by Capital and Related Financing Activities	(6,136,075)	(5,716,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificates of Deposit	(2,273,026)	(3,152,111)
Proceeds from Maturities of Certificates of Deposit	2,124,964	5,094,431
Proceeds from Maturity of U.S. Government Securities	1,326	279
Interest Received	301,809	394,862
Net Cash Provided by Investing Activities	155,073	2,337,461
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,298,322	6,734,503
Cash and Cash Equivalents - Beginning of Year	23,693,900	16,959,397
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 24,992,222</u>	<u>\$ 23,693,900</u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 472,848	\$ (719,479)
Adjustments to Reconcile Adjusted Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	3,732,404	3,591,116
Provision for Uncollectible Accounts	351,172	407,041
Physician Advances, Net of Refunds	(105,000)	(40,000)
Physician Advances Forgiven	149,417	235,389
Changes in Assets, Liabilities, Deferred Outflows and Inflows:		
Patient Receivables	(552,968)	543,323
Estimated Third-Party Payor Settlements	1,455,000	(1,000,000)
Other Assets	(113,729)	96,394
Inventories	(36,665)	(26,074)
Prepaid Expenses	(76,920)	43,778
Accounts Payable, Net of Amounts for Capital Assets	(211,802)	126,439
Other Postemployment Benefits	(15,239)	36,239
Accrued Payroll and Benefits	81,685	434,521
Payroll Taxes	(7,300)	(149,843)
Other	(12,000)	(368,000)
Deferred Outflows of Resources	(219,655)	(278,906)
Deferred Inflows of Resources	(1,967,985)	1,629,150
Net Pension Liability	3,458,231	(73,887)
Net Cash Provided by Operating Activities	<u>\$ 6,381,494</u>	<u>\$ 4,487,201</u>
NONCASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets included in Accounts Payable	<u>\$ 215,516</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 22,647,169	\$ 22,304,151
Noncurrent Cash and Investments:		
Designated by Board for Plant Replacement and Expansion	1,000,000	164,866
Designated by Board for Self-Funded Health Insurance	1,341,820	1,209,085
Restricted by Donors for Specific Purpose	<u>3,233</u>	<u>15,798</u>
Total	<u>\$ 24,992,222</u>	<u>\$ 23,693,900</u>

See accompanying Notes to Financial Statements.

ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF FINANCIAL POSITION – FOUNDATION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 520,907	\$ 540,859
Property and Equipment, Net of Accumulated Depreciation	1,985,826	2,106,650
Other	<u>38,361</u>	<u>38,691</u>
Total Assets	<u>\$ 2,545,094</u>	<u>\$ 2,686,200</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 195,564	\$ 195,564
Lease Deposit	142,297	186,361
Accrued Financing Fee	<u>-</u>	<u>11,733</u>
Total Current Liabilities	<u>337,861</u>	<u>393,658</u>
LONG-TERM DEBT , Less Current Maturities	<u>700,732</u>	<u>896,288</u>
Total Liabilities	1,038,593	1,289,946
NET ASSETS		
Without Donor Restrictions	1,422,908	1,332,530
With Donor Restrictions	<u>83,593</u>	<u>63,724</u>
Total Net Assets	<u>1,506,501</u>	<u>1,396,254</u>
Total Liabilities and Net Assets	<u>\$ 2,545,094</u>	<u>\$ 2,686,200</u>

See accompanying Notes to Financial Statements.

ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF ACTIVITIES – FOUNDATION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 32,348	\$ 19,869	\$ 52,217
Special Events	19,760	-	19,760
Rental Income	239,734	-	239,734
Campaign Income	87,970	-	87,970
Interest Income	152	-	152
Total Revenues	379,964	19,869	399,833
EXPENSES			
Contributions and Expenses	149,798	-	149,798
Fundraising Event	8,919	-	8,919
Depreciation	120,824	-	120,824
Miscellaneous	267	-	267
Financing Fee	9,778	-	9,778
Total Expenses	289,586	-	289,586
INCREASE IN NET ASSETS	90,378	19,869	110,247
Net Assets - Beginning of Year	1,332,530	63,724	1,396,254
NET ASSETS - END OF YEAR	<u>\$ 1,422,908</u>	<u>\$ 83,593</u>	<u>\$ 1,506,501</u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF ACTIVITIES – FOUNDATION (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,992	\$ 21,486	\$ 24,478
24,370	-	24,370
240,064	-	240,064
46,628	-	46,628
340	-	340
<u>314,394</u>	<u>21,486</u>	<u>335,880</u>
35,500	-	35,500
13,967	-	13,967
120,824	-	120,824
102	-	102
11,733	-	11,733
<u>182,126</u>	<u>-</u>	<u>182,126</u>
132,268	21,486	153,754
<u>1,200,262</u>	<u>42,238</u>	<u>1,242,500</u>
<u>\$ 1,332,530</u>	<u>\$ 63,724</u>	<u>\$ 1,396,254</u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF CASH FLOWS – FOUNDATION
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 110,247	\$ 153,754
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	120,824	120,824
(Increase) Decrease in Value of Other Asset	330	-
Decrease on Lease Deposit	<u>(44,064)</u>	<u>(42,066)</u>
Net Cash Provided by Operating Activities	187,337	232,512
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable	<u>(207,289)</u>	<u>(183,822)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,952)	48,690
Cash and Cash Equivalents - Beginning of Year	<u>540,859</u>	<u>492,169</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 520,907</u></u>	<u><u>\$ 540,859</u></u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization

Orange City Area Health System (Health System) is an administrative agency of the City of Orange City, Iowa, dba: Orange City Area Health System, organized under Chapter 392, Code of Iowa and as such is not subject to taxes on income or certain property. The Health System provides services primarily to residents of Orange City and the surrounding areas in Iowa.

Reporting Entity

For financial reporting purposes, the Health System has included all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate. The Health System has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Health System are such that exclusion would cause the Health System's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Health System to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Health System. These criteria also include organizations that are fiscally dependent on the Health System.

Orange City Area Health Foundation (Foundation) is a legally separate, tax-exempt component unit of the Health System. It is organized under the provisions of the Internal Revenue Service Code Section 501(c)(3). The Foundation's financial statements have been included as a discretely presented component unit. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Health System in support of its operations and programs. The Health System does not appoint a voting majority of the Foundation's board of directors or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature and significance of its relationship to the Health System.

Tax-Exempt Status

The Foundation is an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The statements of net position display the Health System's assets, deferred outflows of resources, liabilities, and deferred inflows or resources, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Health System.

Expendable – Expendable net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Health System's policy to use restricted resources first.

Basis of Presentation – Foundation

The Foundation reports information regarding its financial position and operations according to two classes of net assets depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Those resources over which the Foundation has discretionary control.

Net Assets with Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Foundation (Continued)

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported net assets with restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as unrestricted contributions.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Health System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

The Foundation's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Health System considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Receivables

Patient receivables are reduced by an allowance for doubtful accounts. Patients and residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. In evaluating the collectability of patient accounts receivable, the Health System analyzes its history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients and residents who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health System records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time.

At June 30, 2021 and 2020, the allowance for doubtful accounts for self-pay patients was \$1,115,000 and \$1,490,000, respectively. The Health System's allowance for doubtful accounts for self-pay patients decreased from 64% of self-pay accounts receivable at June 30, 2020, compared to 53% of self-pay accounts receivable at June 30, 2021. The Health System's self-pay write-offs increased approximately \$269,000 from approximately \$860,000 for fiscal year 2020 to approximately \$1,129,000 for fiscal year 2021. The decrease in the allowance for doubtful accounts was the result of a decrease in the overall self-pay balances at year-end due to the cleanup of old accounts outstanding, which was evident in the drop in self-pay accounts receivable older than 90 days from approximately \$1,917,000 in 2020 to \$1,351,000 in 2021. The Health System has not materially changed its charity care or uninsured discount policies during fiscal years 2021 or 2020.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

The Health System's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-Earning Investment Contracts: Nonnegotiable Certificates of Deposit	Cost
Open-End Mutual Funds: Iowa Public Agency Investment Trust (IPAIT) (Governmental External Investment Pool Registered as an Investment Company) Publicly Traded Mutual Funds	Amortized Cost Fair Value Based on Quoted Market Prices
Debt Securities: Negotiable Certificates of Deposit and U.S. Government Agency Securities Maturity of One Year or Less When Purchased Maturity of More than One Year When Purchased	Amortized Cost Fair Value Based on Quoted Market Prices

The nonnegotiable certificates of deposit and U.S. government agency securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investment income includes interest and the net increase (decrease) in the fair value of investments which includes realized and unrealized gains and losses on investments. Investment income is reported as nonoperating gains.

Capital Assets

Capital asset acquisitions are recorded at cost. Capital assets donated for Health System operations are recorded as additions at fair value at the date of receipt.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Depreciation is computed using these assets lives:

Land Improvements	10 to 20 Years
Buildings and Fixed Equipment	5 to 40 Years
Major Movable Equipment	3 to 25 Years

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional contributions receivable is recorded as receivables and revenues in the year received. There were no unconditional contributions receivable as of June 30, 2021 and 2020.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the employer after the measurement date but before the end of the employer's reporting period, and other postemployment benefits not yet charged to expense.

Other Postemployment Benefits

For purposes of measuring the Other Postemployment Benefit (OPEB) liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on Orange City Area Health System's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of other postemployment benefits items not yet charged to expense, unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and home health deferred inflows.

Statements of Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Services Revenue

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments.

Patient service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are restricted to a specific operating purpose are reported as operating revenues. Amounts that are unrestricted are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grant proceeds received where all eligibility requirements have not yet been met are presented as unearned grant revenue in the statements of net position.

Charity Care

To fulfill its mission of community service, the Health System provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients and residents is recorded in the accounting system at the established rates, but the Health System does not pursue collection of the amounts. The resulting adjustments are recorded as adjustments to patient service revenue, depending on the timing of the charity determination.

Credit Policy

The Health System grants credit to patients, substantially all of whom are city residents or reside in the immediate vicinity.

Credit Risk

The Foundation had amounts on deposit with a financial institution in excess of FDIC insurance limits at various times throughout the year.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation – Foundation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Directly identifiable expenses are charged to programs and support services. Expenses relating to more than one function are allocated based upon management's judgement. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide overall support to the Organization.

Reclassifications

Certain items in the 2020 financial statements were reclassified for comparison purposes with the 2021 financial statements. The reclassifications did not result in a change in net position as previously reported.

Subsequent Events

The Foundation has evaluated subsequent events through November 16, 2021, which was the date the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

NOTE 2 CHARITY CARE AND COMMUNITY BENEFITS

The Health System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The amounts of charges foregone were \$208,153 and \$294,450 for the years ended June 30, 2021 and 2020, respectively. The estimated costs of the charges foregone, based upon an overall cost-to-charge ratio calculation, for the years ended June 30, 2021 and 2020 were approximately \$136,000 and \$206,000, respectively.

In addition, the Health System provides services to other medically indigent patients under certain government reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and for some services the payments are less than the cost of rendering the services provided.

The Health System also commits significant time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

NOTE 3 DESIGNATED NET POSITION

Of the \$17,314,876 and \$13,293,634 of unrestricted net position at June 30, 2021 and 2020, respectively, the board of trustees has designated \$8,773,834 and \$8,186,063, respectively, for the acquisition of capital assets, deferred compensation, and self-insured health claims. Designated funds remain under the control of the board of trustees, which may at its discretion later use the funds for other purposes.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 NET PATIENT SERVICE REVENUE

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Health System is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at allowable cost plus 1%, less sequestration of 2%, with final settlement determined after submission of annual cost reports by the Health System and are subject to audits thereof by the Medicare fiscal intermediary. The Health System's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2019.

Medicaid

Hospital

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Health System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicaid fiscal intermediary. The Health System's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2018.

Effective April 1, 2016, Iowa Medicaid transitioned to three managed care organizations (MCO): United Healthcare, Amerigroup, and Amerihealth Caritas. During fiscal year 2018 Amerihealth Caritas dropped out of the plan and is no longer participating. The Health System is a participating provider with both organizations during fiscal years 2021 and 2020. Payment rates and methodology with each MCO are to mirror those that were previously paid by Iowa Medicaid. Effective July 1, 2019, United Healthcare is no longer a participating managed care organization, while Iowa Total Care has now entered the plan. The Health System is contracted with Iowa Total Care.

Nursing Home

Routine services rendered to nursing home residents who are beneficiaries of the Medicaid program are paid according to a schedule of prospectively determined daily rates.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge using APR-DRGs. Outpatient services are reimbursed on a prospective basis based on groups of services called EAPGs.

Other Payors

The Health System has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Health System under these agreements may include prospectively determined rates and discounts from established charges.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 NET PATIENT SERVICE REVENUE (CONTINUED)

Uninsured Patients

The Health System recognizes patient service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients and residents that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Health System's uninsured patients and residents will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for uncollectible accounts related to uninsured patients and residents in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	<u>2021</u>	<u>2020</u>
Patient Service Revenue (Net of Contractual Allowances and Discounts) from:		
Third-Party Payors	\$ 47,563,071	\$ 43,477,110
Uninsured Patients	<u>7,103,381</u>	<u>6,682,331</u>
Total	54,666,452	50,159,441
Provision for Uncollectible Accounts	<u>(351,172)</u>	<u>(407,041)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	<u><u>\$ 54,315,280</u></u>	<u><u>\$ 49,752,400</u></u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. For the year ended June 30, 2021 and 2020, the Health System recognized increased (decreased) contractual adjustments of approximately \$116,000 and (\$62,000), respectively, due to changes in prior year estimates resulting from settled reports.

A summary of patient service revenue, contractual adjustments, and provision for bad debts for the years ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Total Patient Service Revenue	\$ 76,909,404	\$ 68,886,496
Revenue Adjustments:		
Medicare	(9,908,450)	(8,051,746)
Medicaid	(4,197,538)	(3,425,628)
Provision for Uncollectible Accounts	(351,172)	(407,041)
Commercial and Other	<u>(8,136,964)</u>	<u>(7,249,681)</u>
Total Contractual Adjustments and Uncollectible Accounts	<u>(22,594,124)</u>	<u>(19,134,096)</u>
Net Patient Service Revenue	<u><u>\$ 54,315,280</u></u>	<u><u>\$ 49,752,400</u></u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 CASH AND INVESTMENTS

The Health System's deposits at June 30, 2021 and 2020, which include bank balances, negotiable and nonnegotiable certificates of deposit, were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Health System is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or federally insured depository institutions approved by the board of trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; warrants or improvement certificates of a drainage district; and common stocks.

As of June 30, 2021 and 2020, the Health System's investments are reported at fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

	2021	2020
Noncurrent Cash and Investments		
Edward D. Jones & Co., Money Market Funds	\$ -	\$ 164,222
Northwestern Bank Money Market Funds	645	644
Negotiable Certificates of Deposit	6,408,138	6,140,179
Cash	2,345,053	1,224,779
U.S. Government Agency Securities	-	4,159
Mutual Funds	-	645,714
Iowa Public Agency Investment Trust	101	104
Accrued Interest Receivable	23,130	22,060
Total	<u>\$ 8,777,067</u>	<u>\$ 8,201,861</u>

As of June 30, 2021, maturities on the Health System's investments are as follows:

Investments	Maturities
Negotiable Certificates of Deposit	8/23/21-10/1/31
Iowa Public Agency Investment Trust	Daily
Northwestern Bank Money Market Funds	Daily

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

Included in the following statement of net position captions:

	2021	2020
Noncurrent Cash and Investments		
Edward D. Jones & Co., Money Market Funds	\$ -	\$ 164,222
Northwestern Bank Money Market Funds	645	644
Negotiable Certificates of Deposit	6,408,138	6,140,179
Cash	2,345,053	1,224,779
U.S. Government Agency Securities	-	4,159
Mutual Funds	-	645,714
Iowa Public Agency Investment Trust	101	104
Accrued Interest Receivable	23,130	22,060
Total	<u>\$ 8,777,067</u>	<u>\$ 8,201,861</u>

	2021	2020
Noncurrent Cash and Investments:		
Designated by Board for Plant Replacement and Expansion	\$ 7,432,014	\$ 5,694,489
Designated by Board for Deferred Compensation	-	645,714
Designated by Board for Self-Insured Health Insurance Claims	1,341,820	1,845,860
Restricted by Donors for Specific Purpose	3,233	15,798
Total	<u>\$ 8,777,067</u>	<u>\$ 8,201,861</u>

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Health System are:

1. **Safety:** Safety and preservation of principal in the overall portfolio.
2. **Liquidity:** Maintaining the necessary liquidity to match expected liabilities.
3. **Return:** Obtaining a reasonable return.

The Health System's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Health System.

The Health System attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

The Health System uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurements for the U.S. government agency securities and mutual funds were determined using last sales price at current exchange rates (Level 1 inputs).

The Health System had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

NOTE 6 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

	2021	2020
Receivable from Patients	\$ 2,122,777	\$ 2,562,153
Receivable from Wellmark	2,156,764	1,801,983
Receivable from Commercial Insurers and Other Payors	775,734	698,922
Receivable from Medicare	2,242,905	2,216,458
Receivable from Medicaid	801,115	1,267,983
Total Patient Receivables	8,099,295	8,547,499
Less: Allowances for Contractual and Other Adjustments	(2,855,000)	(3,505,000)
Total	<u>\$ 5,244,295</u>	<u>\$ 5,042,499</u>

NOTE 7 CAPITAL ASSETS

A summary of changes in the Health System's capital assets for the years ended June 30 follows:

	June 30, 2020	Additions	(Retirements)	Transfers	June 30, 2021
Capital Assets					
Land	\$ 1,665,048	\$ -	\$ -	\$ -	\$ 1,665,048
Land Improvements	3,883,457	-	-	-	3,883,457
Buildings	20,116,972	-	-	-	20,116,972
Fixed Equipment	40,079,519	376,710	-	69,599	40,525,828
Major Movable Equipment	15,384,070	4,072,061	(2,590,305)	-	16,865,826
Construction in Progress	37,588	32,011	2,591,897	(69,599)	2,591,897
Total Capital Assets	81,166,654	4,480,782	1,592	-	85,649,028
Less: Accumulated Depreciation and Amortization	(50,627,353)	(3,732,404)	-	-	(54,359,757)
Total Capital Assets, Net	<u>\$ 30,539,301</u>	<u>\$ 748,378</u>	<u>\$ 1,592</u>	<u>\$ -</u>	<u>\$ 31,289,271</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 CAPITAL ASSETS (CONTINUED)

	June 30, 2019	Additions	(Retirements)	Transfers	June 30, 2020
Capital Assets					
Land	\$ 1,665,048	\$ -	\$ -	\$ -	\$ 1,665,048
Land Improvements	3,735,626	55,290	-	92,541	3,883,457
Buildings	19,498,774	-	-	618,198	20,116,972
Fixed Equipment	37,879,259	146,443	-	2,053,817	40,079,519
Major Movable Equipment	14,457,755	1,270,644	(344,329)	-	15,384,070
Construction in Progress	489,549	2,382,849	(70,254)	(2,764,556)	37,588
Total Capital Assets	77,726,011	3,855,226	(414,583)	-	81,166,654
Less: Accumulated Depreciation and Amortization	(47,321,814)	(3,591,116)	285,577	-	(50,627,353)
Total Capital Assets, Net	\$ 30,404,197	\$ 264,110	\$ (129,006)	\$ -	\$ 30,539,301

Construction in progress for the year ended June 30, 2021, consists of equipment purchased, but not yet placed in service such as a MRI and ambulance, as well as other minor projects. Equipment and projects are expected to be placed into service during fiscal year 2022 with minimal remaining costs that will be funded internally.

A summary of changes in the Foundation's property and equipment for the years ended June 30 follows:

	June 30, 2020	Additions	(Retirements)	Transfers	June 30, 2021
Land	\$ 232,391	\$ -	\$ -	\$ -	\$ 232,391
Buildings and Fixtures	2,416,487	-	-	-	2,416,487
Total	2,648,878	-	-	-	2,648,878
Less: Accumulated Depreciation	(542,228)	(120,824)	-	-	(663,052)
Total Capital Assets, Net	\$ 2,106,650	\$ (120,824)	\$ -	\$ -	\$ 1,985,826

	June 30, 2019	Additions	(Retirements)	Transfers	June 30, 2020
Land	\$ 232,391	\$ -	\$ -	\$ -	\$ 232,391
Buildings and Fixtures	2,416,487	-	-	-	2,416,487
Total	2,648,878	-	-	-	2,648,878
Less Accumulated Depreciation	(421,404)	(120,824)	-	-	(542,228)
Total Capital Assets, Net	\$ 2,227,474	\$ (120,824)	\$ -	\$ -	\$ 2,106,650

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PHYSICAL THERAPY ACQUISITION

On March 31, 2017, the Health System entered into an asset purchase agreement to acquire the assets of an existing physical and occupational therapy practice, located in Orange City, Iowa, for \$1,500,000, and bring into the Health System to supplant the physical therapy department. In connection with this agreement, the Health System has recorded a \$1,470,250 asset within other assets in the accompanying statements of net position, which represents the purchase price less \$29,750 of identified items that have been expensed, and the balance is being amortized over ten years. The Health System paid \$375,000 to the seller upon execution of the agreement and is obligated for three remaining annual payments of \$375,000 through June 30, 2020. The balance was fully paid off as of June 30, 2020.

NOTE 9 OTHER ASSETS - FOUNDATION

The Foundation invested \$50,000 in a limited liability company (LLC) during the year ended June 30, 2015, which represents an approximately 1.9% ownership in the LLC. This LLC was established to invest in a new hotel that has been built adjacent to the Health System's campus. This asset's book value was \$38,361 and \$38,691 as of June 30, 2021 and 2020, respectively.

NOTE 10 LEASE AGREEMENT

During May 2015, the Health System entered into a lease with the Foundation in order to occupy as a tenant and for the use of twelve independent living units constructed at Landsmeer Ridge Retirement Community. The term of the lease covers the period from June 1, 2015 through May 31, 2025 and calls for annual payments of \$205,500 due on the first day of June, beginning June 2017 through the end of the lease. In connection with the execution of the lease, the Health System remitted to the Foundation \$555,617, as a deposit on this lease. The tenant will also be required for certain ongoing operating expenses, as defined in the lease, through the lease term. The Foundation received rental income totaling \$239,734 and \$240,064 on this lease during the years ended June 30, 2021 and 2020, respectively. The lease contains an option to purchase aforementioned living units, and related land, on May 31, 2025 for \$2,260,000.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 LONG-TERM DEBT

A schedule of changes in long-term debt for the years ended June 30 is as follows:

	Balance June 30, 2020	Additions	(Payments) and Amortization	Balance June 30, 2021	Due Within One Year
Hospital Revenue Notes	<u>\$ 16,744,615</u>	<u>\$ -</u>	<u>\$ (1,571,998)</u>	\$ 15,172,617	<u>\$ 1,642,859</u>
Less: Current Maturities				<u>(1,642,859)</u>	
Long-Term Debt (Less Current Maturities)				<u>\$ 13,529,758</u>	

	Balance June 30, 2019	Additions	(Payments) & Amortization	Balance June 30, 2020	Due Within One Year
Hospital Revenue Notes	<u>\$ 18,271,617</u>	<u>\$ -</u>	<u>\$ (1,527,002)</u>	\$ 16,744,615	<u>\$ 1,571,942</u>
Less: Current Maturities				<u>(1,571,942)</u>	
Long-Term Debt (Less Current Maturities)				<u>\$ 15,172,673</u>	

Schedule principal and interest payments on long-term debt are as follows:

Year Ending June 30,	Principal	Long-Term Debt Interest	Total
2022	\$ 1,642,859	\$ 426,400	\$ 2,069,259
2023	1,698,116	376,944	2,075,060
2024	1,591,642	327,188	1,918,830
2025	1,450,000	281,888	1,731,888
2026	1,495,000	240,172	1,735,172
2027-2031	<u>7,295,000</u>	<u>530,546</u>	<u>7,825,546</u>
Total	<u>\$ 15,172,617</u>	<u>\$ 2,183,138</u>	<u>\$ 17,355,755</u>

Hospital Revenue Capital Loan Note Series 2012

The City Council of Orange City adopted a resolution authorizing the issuance of \$6,000,000 of Hospital Revenue Refunding Capital Loan Notes Series 2012, to finance constructing and equipping Prairie Ridge Care Center. The notes contain an interest reset provision which began on June 1, 2019 and will adjust on June 1 every five years subsequent thereto, in which the interest rate will be adjusted to a product of 3% above the constant maturity of the United States 5-year Treasury Note as published by *The Wall Street Journal*, multiplied by .65%, subject to an interest rate cap of 9.5% and a floor of 3.5%. The interest rate at June 30, 2021 is 3.5%. The notes may be called for redemption by the issuer and paid before maturity on any date, in whole or part, and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call. The balance outstanding at June 30, 2021 and 2020 is \$827,615 and \$1,134,614, respectively.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 LONG-TERM DEBT (CONTINUED)

Capital Loan Note Series 2015

The City Council of Orange City adopted a resolution on April 6, 2015 authorizing the issuance of Hospital Revenue Refunding Capital Loan Note Series 2015 and issued the notes December 22, 2015. The 2015 Note Series proceeds was not to exceed \$17,000,000 and was used by the Hospital to advance refund the outstanding 2008 Note Series bonds and pay certain costs related to the issuance. Interest payments of 2.8524% became payable March 1, 2017 and are due semi-annually every March and September until the note is paid in full. Principal payments began March 1, 2019 and occur semi-annually every March and September through September 1, 2030. The remaining principal balance related to the 2015 notes as of June 30, 2021 and 2020 was \$14,345,000 and \$15,610,000, respectively.

The Hospital Revenue Refunding Capital Loan Notes above are secured by substantially all revenues of the Health System. The provisions of the note agreements contain various restrictive covenants and limitations on additional debt. Management believe the Health System is in compliance with these requirements as of June 30, 2021.

Rural Economic Development Loan and Grant Program - Foundation

The Foundation has entered into a noninterest term loan agreement with the City of Orange City Municipal Electric Utility, a Division of the City of Orange City, through the United States Rural Economic Development Loan and Grant Program. The purpose of the loan was to finance the construction of a twelve-unit independent living addition at Landsmeer Ridge Retirement Community. The \$1,760,000 unsecured loan, dated February 26, 2016, calls for monthly payment of \$16,297 beginning March 1, 2017 and continuing until February of 2026. Remaining principal balance related to the Rural Economic Development Loan and Grant Program as of June 30, 2021 and 2020 was \$896,296 and \$1,091,852, respectively.

Scheduled principal payments on long-term debt for the Foundation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2022	\$ 195,564
2023	195,564
2024	195,564
2025	195,564
2026	114,040
Total	<u>\$ 896,296</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 PENSION PLAN

Plan Description

IPERS membership is mandatory for employees of the Health System, except for those covered by another retirement system. Employees of the Health System are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefits includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.50% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate to be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability based on a 30-year amortization period. The payment to amortize the unfunded actuarial is determined as a level percentage of your payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2021 and 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Health System contributed 9.44% of covered payroll for a total rate of 15.73%. Protective occupation members contributed 6.41% and 6.61%, respectively, of covered payroll during the years ended June 30, 2021 and 2020, and the Hospital contributed 9.61% and 9.91%, respectively, of covered payroll for a total rate of 16.02% and 16.52%, respectively.

The Health System's contribution to IPERS for the years ended June 30, 2021 and 2020 were \$2,259,584 and \$2,160,610, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Health System reported a liability of \$20,055,057 and \$16,596,826, respectively, for its proportionate share of the net pension liability. The Health System's net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 PENSION PLAN (CONTINUED)

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

The Health System's proportion of the net pension liability was based on the Health System's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Health System's collective proportion was .28715% which was an increase of .02116% from its proportion measured as of June 30, 2019. At June 30, 2020, the Health System's proportion for the protection service group was .074018% which was an increase of .010379% from its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the Health System recognized pension expense of \$3,501,871 and \$3,566,627, respectively. At June 30, 2021 and 2020, the Health System's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 25,519	\$ 475,192
Changes of Assumptions	1,038,605	506
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,143,536	-
Changes in Proportion and Differences Between Organization Contributions and Proportionate Share of Contributions	1,103,630	2,773
Organization Contributions Subsequent to the Measurement Date	2,259,584	-
Total	<u>\$ 5,570,874</u>	<u>\$ 478,471</u>
June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 47,571	\$ 598,162
Changes of Assumptions	1,795,696	626
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,895,504
Changes in Proportion and Differences Between Organization Contributions and Proportionate Share of Contributions	1,368,625	2,204
Organization Contributions Subsequent to the Measurement Date	2,160,610	-
Total	<u>\$ 5,372,502</u>	<u>\$ 2,496,496</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 PENSION PLAN (CONTINUED)

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

\$2,259,584 and \$2,160,610 reported as deferred outflows of resources related to pensions resulting from Health System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	2021 Amount	2020 Amount
2021	\$ -	\$ 731,940
2022	655,717	(53,846)
2023	729,975	19,062
2024	651,590	(59,222)
2025	790,642	77,462
2026	4,895	-
Total	<u>\$ 2,832,819</u>	<u>\$ 715,396</u>

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	
(Effective June 30, 2017)	2.60% Per Annum
Rates of Salary Increase	3.25 to 16.25% Average, Including Inflation
(Effective June 30, 2017)	Rates Vary by Membership Group
Long-Term Investment Rate of Return	7.00%, Compounded Annually, Net of
(Effective June 30, 2017)	Investment Expense, Including Inflation
Wage Growth	3.25% Per Annum Based on a 2.60%
(Effective June 30, 2017)	Inflation and 0.65% Real Wage Inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption dated June 28, 2018.

Mortality rates used in the 2018 valuations were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	22.0 %	4.43 %
International Equity	17.5	5.15
Global Smart Beta Equity	6.0	4.87
Core Plus Fixed Income	28.0	(0.29)
Public Credit	4.0	2.29
Cash	1.0	(0.78)
Private Equity	11.0	6.54
Private Real Assets	7.5	4.48
Private Credit	3.0	3.11
Total	<u>100.0 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Health System will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Health System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Health System's proportionate share of the net pension liability as of June 30, 2021 and 2020, calculated using the discount rate of 7.00% as well as what the Health System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
June 30, 2021			
Organization's Proportionate Share of the Net Pension Liability	\$ 33,597,376	\$ 20,055,057	\$ 8,700,242
June 30, 2020			
Organization's Proportionate Share of the Net Pension Liability	\$ 29,628,084	\$ 16,596,826	\$ 5,666,499

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2021 and 2020, the Health System reported payables to the defined benefit pension plan of \$157,633 and \$156,765, respectively, for legally required employer contributions and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 13 EMPLOYEE BENEFITS

The Health System has a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$50,000 per person and approximately \$4,000,000 in the aggregate per plan year. Expense under this self-insurance program for the years ended June 30, 2021 and 2020 was approximately \$3,749,000 and \$3,646,000, respectively, which includes program administrative expenses. A liability of \$1,000,000 and \$1,100,000 has been established to record the incurred but not reported claims outstanding as of June 30, 2021 and 2020, respectively.

In 2002, the Health System established a Key Employee Share Option Program (KEYSOP) which is a nonqualified voluntary contributory savings plan for certain employees. During the year ended June 30, 2003, the Health System established a Voluntary Deferral Plan which is also a nonqualified voluntary contributory savings plan for certain employees. Under these programs, the Health System purchases and holds investment assets, recorded at fair value, equal to the participant's voluntary contributions. The Health System ended this plan in fiscal year 2021 and paid out individual amounts to each participant. As a result, the Health System has recorded an asset and an equal corresponding liability of \$-0- and \$645,714 to reflect the fair value of these program assets as of June 30, 2021 and 2020, respectively, and related liability to participants.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Health System administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Benefits

Individuals who are employed by the Health System's and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

	2021	2020
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	4	7
Active Employees	434	421
Total	<u>438</u>	<u>428</u>

Total OPEB Liability

The Health System's total OPEB liability of \$370,921 and \$386,160 was measured as of June 30, 2021 and 2020, respectively, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation	
(Effective June 30, 2019)	2.60% Per Annum
Rates of Salary Increase	Varying Rates by Years of Service
(Effective June 30, 2019)	from 3.25% to 16.25%
Discount Rate	2.16% Compounded Annually,
(Effective June 30, 2021)	Including Inflation
Healthcare Cost of Trend Rate	7.00% Initial Rate Decreasing by 0.25%
(Effective June 30, 2019)	Annually to an Ultimate Rate of 4.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Annual retirement probabilities are based on varying rates by age.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the actuarial experience study with dates corresponding to those listed above.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	2021 Total OPEB Liability	2020 Total OPEB Liability
Total OPEB Liability Beginning of Year	\$ 386,160	\$ 349,921
Changes of the Year:		
Service Cost	30,759	22,991
Interest	8,804	12,466
Differences Between Expected and Actual Experiences	(68,093)	-
Changes in Assumptions	36,569	34,553
Benefit Payments	(23,278)	(33,771)
Net Changes	(15,239)	36,239
Total OPEB Liability End of Year	<u>\$ 370,921</u>	<u>\$ 386,160</u>

Change of assumptions reflect a change in the discount rate from 2.21% in fiscal year 2020 to 2.16% in fiscal year 2021.

Sensitivity of the Health System's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Health System as of June 30, 2021 and 2020, as well as what the Health System's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.16%, 2.50%) or 1% higher (3.16%, 4.50%) than the current discount rate.

June 30, 2021	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 401,352	\$ 370,921	\$ 342,275
June 30, 2020	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 414,397	\$ 386,160	\$ 359,133

Sensitivity of the Health System's Total OPEB Liability to Changes in the Healthcare Cost Trend

The following presents the total OPEB liability of the Health System as of June 30, 2021 and 2020, as well as what the Health System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.75%, 6.0%) or 1% higher (7.75%, 8.0%) than the current healthcare cost trend rates.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Health System's Total OPEB Liability to Changes in the Healthcare Cost Trend (Continued)

June 30, 2021	1% Decrease (0%, 5.75% to 3%)	Discount Rate (0%, 6.75% to 4%)	1% Increase (0%, 7.75% to 5%)
Total OPEB Liability	\$ 326,362	\$ 370,921	\$ 425,189
June 30, 2020	1% Decrease (0%, 6% to 3%)	Discount Rate (0%, 7.00% to 4%)	1% Increase (0%, 8.00% to 5%)
Total OPEB Liability	\$ 334,531	\$ 386,160	\$ 449,355

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2021 and 2020, the Health System recognized OPEB expense of \$41,451 and \$41,121, respectively. At June 30, 2021 and 2020, the Organization reported deferred inflows of resources related to OPEB from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 36,238	\$ 59,936
Changes in Assumptions	58,569	26,149
Total	<u>\$ 94,807</u>	<u>\$ 86,085</u>
June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 43,057	\$ -
Changes in Assumptions	30,467	31,390
Total	<u>\$ 73,524</u>	<u>\$ 31,390</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized against OPEB expense as follows:

Year Ending June 30,	2021 Amount	2020 Amount
2021	\$ -	\$ 5,664
2022	1,888	5,664
2023	1,888	5,664
2024	1,888	5,664
2025	2,348	5,664
2026	2,830	5,664
Thereafter	(2,120)	8,150
Total	<u>\$ 8,722</u>	<u>\$ 42,134</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15 MALPRACTICE CLAIMS

The Health System is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate for institutional claims and \$1,000,000 per claim and \$3,000,000 in the aggregate for physician claims.

The Health System is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Health System.

Incidents occurring through June 30, 2021 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 16 RISK MANAGEMENT

The Health System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Health System assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 17 LEASE COMMITMENTS AND SPACE LEASED TO OTHERS

The Health System leases various medical equipment, building space, and a vehicle under noncancelable leases. These leases require monthly payments through various termination dates from June 2021 through May 2025. This includes the lease agreement with the Foundation for building space as explained at Note 10. Total equipment and building rental expense for the years ended June 30, 2021 and 2020 was \$444,734 and \$431,054, respectively.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 17 LEASE COMMITMENTS AND SPACE LEASED TO OTHERS (CONTINUED)

The minimum future rentals under the leases as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 278,416
2023	272,424
2024	204,216
2025	179,667
Total	<u>\$ 934,723</u>

The Health System, through various agreements, leases office space within the downtown campus to various organizations. The leases, which are for various terms, each call for lease rents per tenant, subject to certain modifications during the lease period. Other revenue for the years ended June 30, 2021 and 2020 included \$270,992 and \$282,508, respectively, of aggregate rental income under the lease agreements.

NOTE 18 ORANGE CITY AREA HEALTH FOUNDATION

The Health System's management has determined that the Orange City Area Health Foundation is a component unit of the Health System. The Orange City Area Health Foundation has been established to raise funds to support the operations and other activities of the Orange City Municipal Hospital. The Foundation has received funds and secured contribution commitments in a capital campaign to benefit the Health System's construction of a replacement nursing home facility. As such, the Foundation is considered to be a component unit of the Health System based upon the significance of this capital campaign and the related benefit to the Health System. The Foundation made restricted contributions of \$149,798 and \$35,500 to the Health System for the years ended June 30, 2021 and 2020, respectively. The Foundation's audited statements of financial position as of June 30, 2021 and 2020, and audited statement of activities and cash flows for the years then ended, are included on pages 16 through 19.

ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 19 FUNCTIONAL EXPENSES

Program, general, and fundraising expenses for the Foundation for the years ended June 30 are as follows

	Program Services	Management and General	Fundraising and Development	Total
June 30, 2021				
Contributions and Expenses	\$ 149,798	\$ -	\$ -	\$ 149,798
Fundraising Events	-	-	8,919	8,919
Depreciation	120,824	-	-	120,824
Miscellaneous	-	267	-	267
Financing Fee	-	9,778	-	9,778
Total	<u>\$ 270,622</u>	<u>\$ 10,045</u>	<u>\$ 8,919</u>	<u>\$ 289,586</u>
June 30, 2020				
Contributions and Expenses	\$ 35,500	\$ -	\$ -	\$ 35,500
Fundraising Events	-	-	13,967	13,967
Depreciation	120,824	102	-	120,926
Financing Fee	-	11,733	-	11,733
Total	<u>\$ 156,324</u>	<u>\$ 11,835</u>	<u>\$ 13,967</u>	<u>\$ 182,126</u>

The Foundation identifies costs directly to program, support, or fundraising functions as invoices are received.

NOTE 20 LIQUIDITY AND AVAILABILITY

As of June 30, 2021 and 2020, the Foundation has working capital of \$183,046 and \$147,201, respectively, and average day's cash on hand (based on normal expenditures) of 1,127 and 3,220, respectively.

Financial assets available for general expenditures within one year of the balance sheet consist of the following:

	2021	2020
Financial Assets at Year-End:		
Cash and Cash Equivalents	<u>\$ 520,907</u>	<u>\$ 540,859</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and liabilities come due.

ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 21 COVID-19 PANDEMIC IMPACTS

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Health Center, COVID-19 impacted various parts of its fiscal year 2020 and 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Medical Center is taking appropriate actions to mitigate the negative impact. COVID-19 continues to impact the Health Center's operations in fiscal year 2022, however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2021.

As part of the Health Center's response to the COVID-19 pandemic it received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services (HHS). The Health Center received Provider Relief Funds in the amount of \$6,384,437, made up of \$991,695 from the General Distribution and \$5,392,472 from Targeted Distributions for rural providers, rural health clinic testing, and skilled nursing facility testing and infection control. The PRF payments are subject to terms and conditions and can generally be used to prevent, prepare for, and respond to coronavirus through reimbursement of health care related expenses or lost revenues attributable to coronavirus. The PRF funds are also subject to certain reporting and audit requirements. In fiscal year 2021, HHS released detailed reporting requirements related to the PRF, which the Health Center has taken into consideration when recognizing revenue related to the PRF. Reporting includes required data elements around eligible expenses, lost revenue, and other data points through June 30, 2021, with a deadline of September 30, 2021. The Health Center has recognized revenue of \$5,755,362 and \$398,368 for eligible expenses and lost revenue for the years ended June 30, 2021 and 2020, respectively. The revenue recognized is included with noncapital grants and contributions in the statement of revenues, expenses, and changes in net position. PRF funds received but not recognized totaling \$266,358 and \$5,086,676 as of June 30, 2021 and 2020, respectively, are presented as unearned grant revenue in the statement of net position. Management believes the amounts have been recognized appropriately as of June 30, 2021 based on guidance released to date by HHS.

REQUIRED SUPPLEMENTARY INFORMATION

**ORANGE CITY AREA HEALTH SYSTEM
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the board of trustees annually adopts a budget which is filed with the City Clerk of Orange City to be included in the official city budget. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures.

The following is a comparison of reported amounts to the accrual basis budget for the year ended June 30, 2021 (Health System only, excluding Foundation).

	<u>Total Per Hospital Statements</u>	<u>Budgeted Amount</u>	<u>Amount Over (Under) Budget</u>
Total Expenses Including Interest and Amortization Expense	<u>\$ 59,865,286</u>	<u>\$ 57,577,208</u>	<u>\$ 2,288,078</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF THE HEALTH SYSTEM'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST SEVEN YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Health System's Regular Proportion of the Net Pension Liability	0.287150%	0.285034%	0.263534%	0.258316%
Health System's Protection Proportion of the Net Pension Liability	0.074018%	0.063639%	0.063146%	0.052009%
Health System's Proportionate Share of the Net Pension Liability	\$ 20,055	\$ 16,597	\$ 16,671	\$ 17,063
Health System's Covered Payroll	\$ 25,072	\$ 23,948	\$ 22,563	\$ 20,070
Health System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	79.99%	69.30%	73.89%	85.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.90%	85.45%	83.62%	82.21%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Health System's Regular Proportion of the Net Pension Liability	0.249607%	0.250019%	0.249212%	
Health System's Protection Proportion of the Net Pension Liability	0.051690%	0.516030%	0.051755%	
Health System's Proportionate Share of the Net Pension Liability	\$ 15,708	\$ 12,352	\$ 10,045	
Health System's Covered Payroll	\$ 19,018	\$ 18,605	\$ 17,815	
Health System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	82.60%	66.39%	56.39%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.82%	85.19%	87.61%	

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF THE HEALTH SYSTEM'S PENSION CONTRIBUTIONS (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST TEN YEARS
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily Required Contribution	\$ 2,260	\$ 2,161	\$ 2,085	\$ 1,794	\$ 1,672
Contributions in Relation to the Statutorily Required Contribution	<u>2,260</u>	<u>2,161</u>	<u>2,085</u>	<u>1,794</u>	<u>1,672</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health System's Covered Payroll	\$ 25,072	\$ 23,948	\$ 22,563	\$ 20,070	\$ 19,018
Contributions as a Percentage of Covered Payroll	9.0%	9.0%	9.2%	8.9%	8.8%

Statutorily Required Contribution

Contributions in Relation to the Statutorily Required Contribution

Contribution Deficiency (Excess)

Health System's Covered Payroll

Contributions as a Percentage of Covered Payroll

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,616	\$ 1,559	\$ 1,505	\$ 1,416	\$ 1,263
<u>1,616</u>	<u>1,559</u>	<u>1,505</u>	<u>1,416</u>	<u>1,263</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,605	\$ 17,815	\$ 17,561	\$ 16,778	\$ 16,443
8.7%	8.8%	8.6%	8.4%	7.7%

ORANGE CITY AREA HEALTH SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY (UNAUDITED)
JUNE 30, 2021

NOTE 1 PENSION LIABILITY

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded actuarial liability (UAL) beginning June 30, 2016. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF CHANGES IN THE HEALTH SYSTEM'S TOTAL OPEB LIABILITY,
RELATED RATIOS, AND NOTES (UNAUDITED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	2021	2020
Service Cost	\$ 30,759	\$ 22,991
Interest Cost	8,804	12,466
Difference Between Expected and Actual Experiences	(68,093)	-
Changes in Assumptions	36,569	34,553
Benefit Payments	<u>(23,278)</u>	<u>(33,771)</u>
Net Change in Total OPEB Liability	<u>(15,239)</u>	<u>36,239</u>
Total OPEB Liability Beginning of Year	<u>386,160</u>	<u>349,921</u>
Total OPEB Liability End of Year	<u><u>\$ 370,921</u></u>	<u><u>\$ 386,160</u></u>
Covered-Employee Payroll	\$ 22,897,318	\$ 18,374,624
Total OPEB Liability as a Percentage of Covered Employee Payroll	1.62%	2.10%

NOTE 1 OPEB LIABILITY

Change in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2021 – 2.16%
Year ended June 30, 2020 – 2.21%
Year ended June 30, 2019 – 3.50%
Year ended June 30, 2018 – 3.87%
Year ended June 30, 2017 – 3.58%

SUPPLEMENTARY INFORMATION

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF PATIENT RECEIVABLES, ALLOWANCES
FOR DOUBTFUL ACCOUNTS, AND COLLECTION STATISTICS (UNAUDITED)
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

Analysis of Aging

Age of Accounts (by Date of Discharge)	June 30, 2021		June 30, 2020	
	Amount	Percent	Amount	Percent
30 Days or Less	\$ 4,762,620	58.80 %	\$ 4,746,760	55.53 %
31-60 Days	1,080,663	13.34	830,999	9.72
61-90 Days	428,736	5.29	327,913	3.84
91 Days and Over	1,827,276	22.57	2,641,827	30.91
Total Accounts Receivable	8,099,295	100.00	8,547,499	100.00
Less: Allowances				
Allowance for Doubtful Accounts	1,115,000		1,490,000	
Allowance for Contractual Adjustments	1,740,000		2,015,000	
Net Accounts Receivable	<u>\$ 5,244,295</u>		<u>\$ 5,042,499</u>	

Analysis of Allowance for Doubtful Accounts for the Years Ended June 30, 2021 and 2020:

	2021	2020
Beginning Balance	\$ 1,490,000	\$ 1,740,000
Add:		
Provision for Uncollectible Accounts	351,172	407,041
Recoveries Previously Written-Off	403,379	202,730
	<u>754,551</u>	<u>609,771</u>
Less:		
Accounts Written-Off	<u>(1,129,551)</u>	<u>(859,771)</u>
Ending Balance	<u>\$ 1,115,000</u>	<u>\$ 1,490,000</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF INVENTORIES
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2021</u>	<u>2020</u>
General Stores	\$ 339,401	\$ 296,197
Pharmacy	65,699	46,487
Central Supply	40,409	38,977
Operating Room	89,549	89,909
Radiology	6,107	5,938
Medical Clinics	75,196	102,188
Total Inventory	<u>\$ 616,361</u>	<u>\$ 579,696</u>

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
YEAR ENDED JUNE 30 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Cincinnati Insurance Company (Policy Expiration June 30, 2021)	
Building and Contents, Builders Risk, Fire and Extended Coverage	
(100% Co-insurance, Replacement Value, and Special Causes of Loss)	\$ 84,664,600
Downtown Campus (80% Co-insurance, Actual Cash Value, and Special Causes)	\$ 6,323,320
	\$5,000 deductible
Blanket earnings and expense	\$ 36,156,114
Owned Automobiles	
Liability	\$1,000,000
Collision and comprehensive	\$1,000 deductible
Uninsured/Underinsured Motorist	\$1,000,000
Medical payments	\$5,000
Blanket Fidelity Bond	
Employees	\$150,000
	\$2,500 deductible
Accounts Receivable Records	\$1,000,000
	\$5,000 deductible
Equipment Floater - Ambulances	\$85,000
Equipment Floater - Tractors & Movers	\$132,214
Cincinnati Insurance Company (Policy Expiration July 1, 2021)	
Directors, officers, and hospital staff liability	\$1,000,000
	\$15,000 deductible
Cyber Liability	\$3,000,000
Employment Practices Liability	\$1,000,000
	\$25,000 deductible
ProAssurance Casualty Company (Policy Expiration July 1, 2021)	
Employee Benefit Liability	\$1,000,000
Professional Liability - Hospital	\$1,000,000/3,000,000
Professional Liability - Physicians	\$1,000,000/3,000,000
General Liability	\$1,000,000/3,000,000
Excess Professional Liability	\$5,000,000
Excess Liability Hospital	\$5,000,000
United Wisconsin Insurance Company (Policy Expiration April 1, 2022)	
Workers' Compensation	\$500,000

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Health System.

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Total		Inpatient	
	2021	2020	2021	2020
PATIENT SERVICE REVENUE				
Medical, Surgical, and Obstetric	\$ 5,231,165	\$ 4,683,134	\$ 2,896,313	\$ 2,453,502
Special Care	44,175	48,825	44,175	48,825
Long-Term Care	8,131,551	7,920,016	-	-
Nursery	437,727	405,555	437,727	405,555
Total Patient Service Revenue	13,844,618	13,057,530	3,378,215	2,907,882
OTHER NURSING SERVICES				
Operating and Recovery Room	7,311,867	6,474,783	556,094	768,071
Central Service and Supply	1,096,281	936,056	158,318	340,310
Emergency Services	2,497,979	2,471,540	81,375	78,486
Ambulance	672,245	690,406	92,611	48,559
Home Health	1,239,466	1,014,376	-	-
Hospice	976,669	778,299	976,669	778,299
Total Other Nursing Services Revenue	13,794,507	12,365,460	1,865,067	2,013,725
OTHER PROFESSIONAL SERVICES				
Laboratory	5,986,514	4,886,723	761,173	506,936
Radiology	9,247,688	7,791,246	361,939	292,519
Pharmacy	8,464,377	7,239,633	1,504,943	915,743
Anesthesiology	2,315,903	2,026,722	441,496	435,346
Respiratory Therapy and Oxygen	150,881	148,645	51,770	59,979
Physical Therapy	3,421,175	3,082,852	167,194	145,291
Cardio Pulmonary	822,133	983,523	21,929	26,901
Pulmonary Rehabilitation	17,383	17,499	-	-
Speech Therapy	129,332	100,520	3,135	4,179
Audiology	-	39,041	-	-
Orange City Medical Clinic	14,443,995	13,084,113	-	-
Hospers Medical Clinic	462,194	500,870	-	-
Paullina Medical Clinic	726,722	763,884	-	-
Specialty Clinics	1,023,883	1,126,097	-	-
Urgent Care/Walk-in Clinic	459,719	297,990	-	-
Surgery	1,806,533	1,668,598	-	-
Total Other Professional Service Revenue	49,478,432	43,757,956	3,313,579	2,386,894
Gross Patient and Resident Charges	77,117,557	69,180,946	\$ 8,556,861	\$ 7,308,501
Charity Care	(208,153)	(294,450)		
Total Patient Service Revenues	76,909,404	68,886,496		
CONTRACTUAL ADJUSTMENTS				
Medicare	(9,908,450)	(8,051,746)		
Medicaid	(4,197,538)	(3,425,628)		
Commercial and Other	(8,136,964)	(7,249,681)		
Total Contractual Adjustments	(22,242,952)	(18,727,055)		
Patient Service Revenues, Net of Contractual Adjustments	54,666,452	50,159,441		
Provision for Uncollectible Accounts	(351,172)	(407,041)		
Net Patient Service Revenues	\$ 54,315,280	\$ 49,752,400		

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF PATIENT SERVICE REVENUE (CONTINUED)
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Outpatient		Swing Bed		Intermediate Care Unit	
2021	2020	2021	2020	2021	2020
\$ 2,333,678	\$ 2,228,562	\$ 1,174	\$ 1,070	\$ -	\$ -
-	-	-	-	-	-
-	-	507,930	610,205	7,623,621	7,309,811
-	-	-	-	-	-
2,333,678	2,228,562	509,104	611,275	7,623,621	7,309,811
6,752,628	5,701,176	3,145	5,536	-	-
925,251	589,553	12,712	6,193	-	-
2,416,604	2,393,054	-	-	-	-
579,634	641,847	-	-	-	-
1,239,466	1,014,376	-	-	-	-
-	-	-	-	-	-
11,913,583	10,340,006	15,857	11,729	-	-
5,182,925	4,332,361	42,416	47,426	-	-
8,870,500	7,485,033	15,249	13,694	-	-
6,721,619	6,076,166	184,612	181,892	53,203	65,832
1,874,094	1,590,419	313	957	-	-
87,806	84,692	11,305	3,974	-	-
3,028,791	2,673,346	225,190	264,215	-	-
797,845	950,584	2,359	6,038	-	-
17,383	17,499	-	-	-	-
123,316	90,583	2,881	5,758	-	-
-	39,041	-	-	-	-
14,443,995	13,084,113	-	-	-	-
462,194	500,870	-	-	-	-
726,722	763,884	-	-	-	-
1,023,883	1,126,097	-	-	-	-
459,719	297,990	-	-	-	-
1,806,533	1,668,598	-	-	-	-
45,627,325	40,781,276	484,325	523,954	53,203	65,832
\$ 59,874,586	\$ 53,349,844	\$ 1,009,286	\$ 1,146,958	\$ 7,676,824	\$ 7,375,643

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF ADJUSTMENTS TO PATIENT
SERVICE REVENUES AND OTHER OPERATING REVENUES
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2021</u>	<u>2020</u>
ADJUSTMENTS TO PATIENT SERVICE REVENUE		
Contractual Adjustments and Discounts	\$ 22,242,952	\$ 18,727,055
Provision for Uncollectible Accounts	351,172	407,041
Total Revenue Adjustments	<u>\$ 22,594,124</u>	<u>\$ 19,134,096</u>
	<u>2021</u>	<u>2020</u>
OTHER OPERATING REVENUES		
Cafeteria	\$ 149,879	\$ 210,482
Other	2,063,610	1,587,933
Rental	270,992	282,508
Lifeline	33,242	30,318
Landsmeer Ridge	2,199,712	2,144,575
Contract Pharmacy	848,221	981,377
Total Other Operating Revenues	<u>\$ 5,565,656</u>	<u>\$ 5,237,193</u>

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF NURSING SERVICE EXPENSES
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021	2020
NURSING ADMINISTRATION		
Salaries	\$ 124,351	\$ 109,520
Supplies and Other Expense	120	269
Total Nursing Administration	<u>124,471</u>	<u>109,789</u>
MEDICAL, SURGICAL, AND OBSTETRIC		
Salaries	1,891,426	1,813,985
Supplies and Other Expense	389,107	363,874
Total Medical, Surgical, and Obstetric	<u>2,280,533</u>	<u>2,177,859</u>
SPECIAL CARE		
Salaries	14,774	20,934
Supplies and Other Expense	24	11
Total Special Care	<u>14,798</u>	<u>20,945</u>
SWING BED		
Salaries	171,661	219,467
INTERMEDIATE CARE		
Salaries	3,460,285	3,346,701
Purchased Services	22,660	6,003
Supplies and Other Expense	2,550,760	1,762,572
Total Intermediate Care	<u>6,033,705</u>	<u>5,115,276</u>
NURSERY		
Salaries	124,835	118,621
Supplies and Other Expense	18,175	16,936
Total Nursery	<u>143,010</u>	<u>135,557</u>
OPERATING AND RECOVERY ROOM		
Salaries	857,557	935,749
Supplies and Expense	543,953	343,290
Total Operating and Recovery Room	<u>1,401,510</u>	<u>1,279,039</u>
CENTRAL SERVICE AND SUPPLY		
Billable Supplies	784,611	640,368

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF NURSING SERVICE EXPENSES (CONTINUED)
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2021</u>	<u>2020</u>
EMERGENCY SERVICE		
Salaries	\$ 1,772,881	\$ 1,703,483
Purchased Services	142,673	152,694
Supplies and Other Expense	264,336	107,570
Total Emergency Service	<u>2,179,890</u>	<u>1,963,747</u>
AMBULANCE		
Salaries	149,188	101,476
Supplies and Other Expense	69,804	36,827
Total Ambulance	<u>218,992</u>	<u>138,303</u>
HOME HEALTH		
Salaries	581,685	510,458
Purchased Services	122,173	94,802
Supplies and Other Expense	117,648	100,305
Total Home Health	<u>821,506</u>	<u>705,565</u>
HOSPICE		
Salaries	183,394	212,504
Supplies and Other Expense	127,469	132,534
Total Hospice	<u>310,863</u>	<u>345,038</u>
Totals	<u><u>\$ 14,485,550</u></u>	<u><u>\$ 12,850,953</u></u>

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF OTHER PROFESSIONAL EXPENSES
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021	2020
LABORATORY		
Salaries	\$ 697,297	\$ 680,159
Professional Fees	617,341	462,158
Supplies and Other Expense	663,266	642,756
Total Laboratory	1,977,904	1,785,073
RADIOLOGY		
Salaries	1,247,231	1,220,459
Professional Fees	77,829	223,023
Purchased Services	383,794	288,182
Supplies and Other Expense	400,265	402,005
Total Radiology	2,109,119	2,133,669
ONCOLOGY		
Salaries	90,562	89,727
Supplies and Other Expense	23,827	5,546
Total Oncology	114,389	95,273
PHARMACY		
Salaries	-	10,630
Purchased Services	4,375,975	3,798,867
Supplies and Other Expense	99,735	73,079
Total Pharmacy	4,475,710	3,882,576
ANESTHESIOLOGY		
Salaries	743,520	720,077
Professional Fees	7,250	15,625
Supplies and Other Expense	31,352	30,744
Total Anesthesiology	782,122	766,446
RESPIRATORY THERAPY		
Salaries	185,086	176,223
Oxygen	72,279	57,252
Supplies and Other Expense	18,463	11,291
Total Respiratory Therapy	275,828	244,766
PHYSICAL THERAPY		
Salaries	1,306,911	1,234,545
Purchased Services	1,265	2,573
Supplies and Other Expense	198,881	223,821
Total Physical Therapy	1,507,057	1,460,939
CARDIO PULMONARY		
Purchased Services	145,161	184,756
Supplies and Other Expense	2,503	(1,639)
Total	147,664	183,117

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF OTHER PROFESSIONAL EXPENSES (CONTINUED)
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021	2020
SPEECH THERAPY		
Purchased Services	\$ 60,647	\$ 49,411
AUDIOLOGY		
Purchased Services	-	34,671
Supplies and Other Expense	-	499
Total	-	35,170
OCCUPATIONAL HEALTH SERVICES		
Salaries	191,736	165,833
Purchased Services	6,277	2,355
Supplies and Other Expense	43,074	44,029
Total	241,087	212,217
ORANGE CITY MEDICAL CLINIC		
Salaries	5,201,214	4,937,826
Purchased Services	1,061,286	797,101
Medical Supplies	1,052,556	1,017,306
Supplies and Other Expense	51,187	74,046
Utilities	84,667	69,825
Telephone	21,473	15,585
Insurance	53,685	39,390
Employee Benefits	1,565,884	1,496,359
Total	9,091,952	8,447,438
HOSPERS MEDICAL CLINIC		
Salaries	144,660	142,648
Purchased Services	35,388	33,003
Medical Supplies	38,635	35,599
Supplies and Other Expense	23,544	23,776
Utilities	2,468	2,380
Telephone	3,076	3,005
Employee Benefits	64,352	65,664
Total	312,123	306,075
PAULLINA MEDICAL CLINIC		
Salaries	308,438	296,495
Purchased Services	68,922	64,126
Medical Supplies	56,996	56,280
Supplies and Other Expense	24,988	28,130
Utilities	6,439	5,936
Telephone	3,240	3,099
Employee Benefits	111,851	99,696
Total	580,874	553,762

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF OTHER PROFESSIONAL EXPENSES (CONTINUED)
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2021</u>	<u>2020</u>
SPECIALTY CLINIC		
Salaries	\$ 265,200	\$ 248,040
Supplies and Other Expense	65,693	138,738
Utilities	4,571	3,708
Insurance	660	660
Total	<u>336,124</u>	<u>391,146</u>
URGENT CARE/WALK-IN CLINIC		
Salaries	168,155	133,805
Purchased Services	108	139
Supplies	35,030	74,145
Utilities	11,065	6,225
Total	<u>214,358</u>	<u>214,314</u>
SURGERY		
Salaries	940,191	702,069
Purchased Services	800	1,422
Supplies and Other Expense	34,299	24,220
Telephone	1,854	3,062
Total	<u>977,144</u>	<u>730,773</u>
LANDSMEER RIDGE		
Salaries	661,910	656,289
Purchased Services	21,382	22,992
Medical Supplies	5,222	2,178
Supplies and Other Expense	560,371	580,865
Utilities	112,510	102,691
Telephone	12,924	12,254
Insurance	8,150	7,154
Total	<u>1,382,469</u>	<u>1,384,423</u>
SOCIAL SERVICE		
Salaries	184,648	186,038
MEDICAL RECORDS		
Salaries	334,967	338,683
Supplies and Other Expense	(1,217)	12,993
Total	<u>333,750</u>	<u>351,676</u>
RETAIL PHARMACY		
Salaries	-	131
Purchased Services	406,007	389,168
Supplies and Other Expense	607,953	532,163
Total	<u>1,013,960</u>	<u>921,462</u>
Totals	<u><u>\$ 26,118,929</u></u>	<u><u>\$ 24,335,764</u></u>

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF GENERAL SERVICE EXPENSES
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2021</u>	<u>2020</u>
DIETARY		
Salaries	\$ 330,198	\$ 352,626
Food	261,629	293,434
Supplies and Other Expense	<u>61,220</u>	<u>63,010</u>
Total Dietary	653,047	709,070
PLANT		
Salaries	389,031	388,262
Utilities	494,973	406,685
Purchased Services	12,592	31,227
Supplies and Other Expense	<u>290,292</u>	<u>272,299</u>
Total Plant	1,186,888	1,098,473
HOUSEKEEPING		
Salaries	201,185	211,194
Supplies and Other Expense	<u>61,329</u>	<u>72,309</u>
Total Housekeeping	262,514	283,503
LAUNDRY AND LINEN		
Salaries	31,145	31,098
Supplies and Other Expense	<u>16,874</u>	<u>22,174</u>
Total Laundry and Linen	<u>48,019</u>	<u>53,272</u>
 Totals	 <u><u>\$ 2,150,468</u></u>	 <u><u>\$ 2,144,318</u></u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2021</u>	<u>2020</u>
FISCAL AND ADMINISTRATIVE SERVICE		
Administrative and General:		
Salaries	\$ 1,128,376	\$ 980,071
Management Fees	536,179	525,281
Professional Services	121,049	81,473
Collections	66,285	36,422
Telephone	83,090	84,689
Supplies and Other Expense	1,708,307	1,771,631
Total Administrative and General	<u>3,643,286</u>	<u>3,479,567</u>
Human Resources:		
Salaries	264,702	262,587
Supplies and Other Expense	241,844	310,748
Total Human Resources	<u>506,546</u>	<u>573,335</u>
Regulatory Affairs:		
Salaries	109,175	96,557
Supplies and Other Expense	550	1,279
Total Regulatory Affairs	<u>109,725</u>	<u>97,836</u>
Community Relations:		
Salaries	80,865	82,977
Supplies and Other Expense	147,343	135,060
Total Community Relations	<u>228,208</u>	<u>218,037</u>
Receiving and Stores:		
Salaries	160,790	165,595
Supplies and Other Expense	49,608	47,369
Total Receiving and Stores	<u>210,398</u>	<u>212,964</u>
Admissions:		
Salaries	372,697	344,694
Supplies and Other Expense	12,949	8,514
Total Admissions	<u>385,646</u>	<u>353,208</u>
Total Fiscal and Administrative Expenses	5,083,809	4,934,947
UNASSIGNED EXPENSES		
Employee Benefits:		
Payroll Taxes	4,292,494	4,315,182
Group Health Insurance	2,918,192	2,894,994
Other	258,578	248,633
Insurance	367,664	393,165
Total Unassigned Expenses	<u>7,836,928</u>	<u>7,851,974</u>
Totals	<u><u>\$ 12,920,737</u></u>	<u><u>\$ 12,786,921</u></u>

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF COMPARATIVE STATISTICS (UNAUDITED)
YEARS ENDED JUNE 30 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2021</u>	<u>2020</u>
PATIENT DAYS		
Acute and Pediatric	2,528	2,139
Nursery	511	480
Swing Bed:		
Skilled Nursing Care	726	883
Intermediate Care	36	58
Intermediate Care	30,556	30,695
Total	<u><u>34,357</u></u>	<u><u>34,255</u></u>
ADMISSIONS		
Acute and Pediatric	816	715
Swing Bed:		
Skilled Nursing Care	86	88
Intermediate Care	15	23
Intermediate Care	43	31
Total	<u><u>960</u></u>	<u><u>857</u></u>
DISCHARGES		
Acute and Pediatric	819	715
Swing Bed:		
Skilled Nursing Care	87	87
Intermediate Care	14	24
Intermediate Care	41	29
Total	<u><u>961</u></u>	<u><u>855</u></u>
AVERAGE LENGTH OF STAY		
Acute and Pediatric	3.09	2.99
Swing Bed:		
Skilled Nursing Care	8.34	10.15
Intermediate Care	2.57	2.42
Intermediate Care	745.27	1058.45
BEDS		
Adult, Pediatric, and Swing Bed	24	24
Intermediate Care	84	84
OCCUPANCY PERCENTAGE		
Adult, Pediatric, and Swing Bed	43.39%	40.64%
Intermediate Care	99.66%	100.11%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$ 148,809	\$ 136,308
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT ACCOUNTS RECEIVABLE AT END OF YEAR	35.24	36.99



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Orange City Area Health System
an Administrative Agency of the City of Orange, Iowa
dba: Orange City Area Health System
and Orange City Area Health Foundation
Orange City, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Orange City Area Health System (the Health System), and its component unit, Orange City Area Health System Foundation which comprise the statements of net position and statements of financial position, as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Health System's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health System and Foundation. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying schedule of findings.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Health System and Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 16, 2021

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

Part I – Findings Related to the Financial Statements

No matters were identified requiring disclosure.

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

Part II – Findings Related to Required Statutory Reporting

21-II-A QUESTIONABLE EXPENDITURES

No questionable expenditures of Health System's funds were noted.

21-II-B TRAVEL EXPENSES

No expenditures of the Health System's money for travel expenses of spouses of Health System officials and/or employees were noted.

21-II-C BUSINESS TRANSACTIONS

No business transactions were found between the Health System and Health System official were noted.

21-II-D BOARD MINUTES

No transactions were found that we believe should have been approved in the board minutes but were not.

21-II-E DEPOSITS AND INVESTMENTS

Noted one instance of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the code of Iowa and the Health Center's investment policy. Deposits exceeded board of trustee depository limitation at one institution.

Recommendation: We recommend that the Health System transfer funds or increase its depository resolution to not exceed allowable amounts in the future.

Response: The Health Center will continue to monitor balances and increase the depository resolution or transfer funds as needed.

21-II-F CERTIFIED BUDGET

Disbursements during the year ended June 30, 2021, exceeded budgeted amounts.

Recommendation: We recommend that the Health System review budget process and amend budgets or revise process as appropriate to address higher than expected expenditures.

Response: The Health Center will continue to refine budget process to ensure as accurate budgets as possible.

